

**ON THE POTENTIAL FOR IMPROVED CONFLICT RESOLUTION
THROUGH ENTREPRENEURSHIP IN PALESTINE**

An Undergraduate Research Scholars Thesis

by

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TABLE OF CONTENTS

	Page
ABSTRACT.....	1
ACKNOWLEDGMENTS	2
NOMENCLATURE	3
CHAPTER	
I. INTRODUCTION	5
II. METHODS	12
III. RESULTS	16
IV. CONCLUSIONS	31
a. Israel.....	31
b. Palestine	36
c. Palestine and Israel	40
REFERENCES	44
APPENDIX.....	48

ABSTRACT

On the Potential for Improved Conflict Resolution through Entrepreneurship in Palestine. (May 2015)

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The purpose of this research project is to gain insight into the role of the Israel-Palestine conflict in the entrepreneurial environment of Palestine. It takes into account both aspects of the conflict itself and reactions to the conflict in order to suggest policy changes to improve the prospects of entrepreneurs and for conflict resolution in Palestine.

The paper analyzes a variety of different economic, political, and social data to develop a cohesive picture of the entrepreneurial environment, and to see whether there are statistical correlations between certain subsets of that data that could indicate areas where policy changes would be most effective.

The results of the study suggest policy changes or new policy programs to aid in the peace-building process in Palestine, based on social contact theory, the recommendations of other scholars working in similar regions, as well as the economic and security data analyzed here.

ACKNOWLEDGEMENTS

I would like to thank and acknowledge Dr. Ashley Passmore, my research advisor, for her sound advice and guidance throughout this project. As a newcomer to Middle Eastern studies and to Israel-Palestine specifically, I benefited immensely from her experience in the field. Without her assistance and knowledge, which she so kindly made available to me throughout the research and writing of this paper, it is difficult to imagine that this paper would have been written at all.

Obwohl dies der erste Aufsatz ist, den ich für Sie auf Englisch geschrieben habe, glaube ich, dass er ziemlich gut ist. Sowieso hoffe ich, dass Sie keine deutsche Version wollen...

NOMENCLATURE

The “Palestinian Territories” shall refer to the land allotted to the Palestinian Authority as a result of the Oslo Accords, that which is delineated by the “Green Line.” However, the author is aware that by no means is all of this territory effectively under the governance of the current State of Palestine. For example, the parts of East Jerusalem annexed or under the control of Israel are not included in World Bank or Palestinian Central Bureau of Statistics data, and it is not clear if it is included in World Governance Indicators data. For the sake of simplicity in writing however, this term should suffice. Likewise, “Palestinians” shall refer generally to those living in the aforementioned Palestinian Territories and excluding Israeli citizens termed “settlers,” without regard to ethnicity, religion, or creed. Please note that it does *not* include Israeli-Arabs, who are often of Palestinian descent. To include all Palestinians living in the Palestinian Territories, Israel, or elsewhere is beyond the scope of this study.

Additionally, throughout this paper the Palestinian Territories may be referred to using various designations (entity, region, etc.). Due to the nebulous status of the Palestinian Territories under international law, I have chosen to use vague terms wherever possible to avoid the appearance of “taking sides” in the issue. Under no circumstances should this choice be interpreted as a denial of Palestinians’ right to a state (whatever form that may take), and it should likewise be noted that I do not seek by whatever appellations I may use to assert any particular political goals or agendas. The goal of this paper is merely to provide an empirical analysis of possible policies that could bring about a positive change in the relationship, as it stands, between Israel and the

people of the Palestinian Territories. Conclusions made here are for the purpose of scientific inquiry alone, and should not be interpreted to reflect any biases or personal beliefs of the author.

CHAPTER I

INTRODUCTION

In recent years, much attention has been given to the phenomenon of the “Start-up Nation,” that is, the perceived explosion in growth of successful Israeli tech start-ups (Senor and Singer 2009). Books have been written on the topic, seminars held, and lectures given, and yet there has been relatively little interest in the entrepreneurial activities of the Palestinian Territories. For a variety of reasons, the economy of Palestine has never experienced the same degree of high output growth that Israel has. Although the purpose of this paper is not to specifically to identify a host of macroeconomic causes for Palestine’s relative lack of growth, the powerful dichotomy that exists between the two entities begs the question: what is the state of Palestinian entrepreneurship? Since the macroeconomic picture consists of many smaller microeconomic variables, a better understanding of the nature of Palestinian entrepreneurship could lead to greater insight into the region’s wider problems. Additionally, the impetus to explore this field gains further urgency from recent research on the confluence of conflict and entrepreneurship, which has sought to examine both the effects of conflict on entrepreneurial activities and the potential of entrepreneurship to contribute positively to conflict resolution between hostile groups. But the ability to develop policies and programs to address problems of entrepreneurship in the Palestinian milieu is hampered by scant research in the field that also incorporates the ever-present aspect of conflict. This is the problem that I will seek to address in this paper.

The dearth of knowledge regarding Palestine’s entrepreneurial environment is understandable given the ever-changing state of affairs in that region of the world. When some form of conflict

breaks out in nearly annual intervals, data is often invalidated or made irrelevant far more quickly than in less volatile locales. However, this lacuna in the academic sphere belies the fact that research in this area could be greatly beneficial to policymakers in Israel, the Palestinian Territories, and other countries concerned with the region. Policies addressing the unique role of the entrepreneur and conflict are currently few and far between, even though some pioneering work in the field has been performed in other countries, especially Rwanda. And although the role of the entrepreneur in the global economic system is not the only factor in economic growth, it is certainly a vital cog in the machine, one from which the Palestinian Territories seem to have been unable to benefit. With that in mind, it would seem that research into the causes of this market failure could be of great value to the region as a whole.

The objective of this paper is centered around the ineffectiveness of the Palestinian entrepreneur. According to the Global Entrepreneurship Monitor, Palestinians have “the lowest rate of nascent entrepreneurial activity of the seven GEM-MENA countries and much lower than the average for factor driven economies” (International Development Research Centre 2010). Much is made, of course, of the unstable political situation, but also of the many unique burdens which Palestinians must overcome in order to create a successful business. These challenges lie at the confluence of this paper’s research goals, which are

- 1) to address the state of the Palestinian economy and its entrepreneurial component
- 2) to assess the role that Israeli policy plays in entrepreneurial success and failure in the Palestinian Territories

- 3) to consider the potential that entrepreneurial activity holds for reducing conflict between hostile parties in Israel and the Palestinian territories.

The purpose of this paper, therefore, consists of tying these three points together into a cohesive picture of the status, causation, and potential of the Palestinian entrepreneurial environment, which could ideally be used as a non-political framework for addressing the many problems between Israel and Palestine. Before moving into the components of this study, however, it is necessary to pay heed to the pioneering research into conflict entrepreneurship as well as the potential of entrepreneurship to support conflict resolution that has cut a path forward for this growing field of study.

Two lines of academic thought are key to this paper's goal. The first involves the role of policy on entrepreneurial effectiveness in a given society's economy. The second involves the transformative role that entrepreneurship could fill within a society riven with conflict. The former will be discussed first. In their pioneering work in the field, Halvor Mehlum et al. discuss their own research into the differences between normal firms and "predator" firms (Mehlum, Moene et al. 2003). Their argument is predicated on the idea that developing economies face a unique economic challenge on the choice that entrepreneurs face: whether to become a "predator" or whether to become a "producer." They define a "predator" as a mafia-like organization that makes its living off of predation of other companies, people, or groups. This definition could even be extended to include rebel or terror groups. Naturally, these organizations are seen as destructive to economic growth. Producers are represented by more typical entrepreneurial activity, new firms. Critically, they suggest that predators and producers

compete for the same pool of entrepreneurs, and that at low levels of development, the position of “predator” offers more immediate profit. In many ways, this description mirrors that which the prospective Palestinian entrepreneur may face.

The research of Anton Sabella et al. could provide supporting evidence for this stance (Sabella, Farraj et al. 2014). In their analysis of entrepreneurship in Palestine, they found that it had not contributed to statistically significant economic growth within the country, even though it is generally acknowledged that entrepreneurship is an important facet of growth in a modern economy. It is critical to note that their study of entrepreneurship excluded businesses in the informal sector due to the difficulty involved in measuring it. Amongst several possible explanations for the discrepancy between observed patterns and the theorized role of entrepreneurship was the possibility that rent-seeking behavior (a characteristic of predator firms) could lead to the non-existent correlation between economic growth and entrepreneurship. In their conclusion, Sabella et al. suggested that the informal sector could play a disproportionately large role in the economy. This is supported by the research of the Global Entrepreneurship Monitor, which found that about 40% of Palestinian firms operate in the informal sector (International Development Research Centre 2010).

Wim Naudé, an often cited scholar in the literature on entrepreneurship and economic development, provides an in-depth summary of the role of entrepreneurship in contributing to general economic growth, but also occasionally detracting from it (2008). He also highlights the dangers of the predator firm and rent-seeking behavior but in his conclusions focuses on the potential for government policy to effect positive changes on the entrepreneurial environment by

incentivizing those with the right skills and mindset to start businesses, and by improving education and the business environment more generally, with particular emphasis on the strengthening of institutions. Ultimately, Naudé believes that key changes such as these could improve the economy as a whole by improving the quality of entrepreneurship in the market. He suggests that “the result in many poor and underdeveloped countries would be to see an initial reduction in the rate of entrepreneurship” (2008) at first, but that this would be due to the hiring of workers into productive firms that would decrease the need for “necessity” entrepreneurship (Cañares 2011). The key implication of Naudé’s study is that policy could play a critical role in improving the status of entrepreneurship.

With policy established as a legitimate means of addressing problems with entrepreneurship, it is important now to discuss a unique facet of the region’s economic dynamic that could be contributing to a negative feedback loop of disruption, chronic outbursts of violence. As any cursory glance at a year-in-review will reveal, violent conflict is a common, frequently occurring facet of life in Israel and, particularly, the Palestinian Territories. As the goal of this paper is not to identify a cause for this seemingly endless cycle of violence, it should suffice to say very generally that all sides of the conflict have at some point or another perpetuated violence in order to gain advantage over one another. However, if it is in the interest of the greater world to achieve peace in the region, then a host of new policies should be developed to effect the sea change needed for a chance at peace. As part of this paper’s purpose is to show that developing the entrepreneurial potential of Palestinians could lead to improved chances for lasting peace in the region, a review of the extant literature on entrepreneurship and conflict is now in order.

Perhaps the most critical addition to this literature review is that of two research papers on conflict resolution through entrepreneurship in post-genocide Rwanda. In the first, Jutta Tobias and Karol Boudreaux run a quantitative test on a variety of social and economic factors to measure correlations between entrepreneurial activities and conflict reduction in post-genocide Rwanda (2011). Although their survey was not conducted under ideal statistical circumstances, strong correlations were observed between participation within Rwanda's new coffee washing stations, which were founded after government liberalization of the industry, and improved attitudes towards members of previously antagonistic groups (i.e. "Tutsis" and "Hutus"). In a follow-up to previous work on conflict-reduction in post-genocide Rwanda, Tobias continues her exploration of the potential of entrepreneurship to contribute positively to peace building in conflict-ridden regions (Tobias, Mair et al. 2013). Here, a correlating effect is identified between entrepreneurship, poverty reduction, and, correspondingly, decreases in violent conflict. Critically, their research suggests that the process whereby improved economic circumstances informs more positive outlooks on conflict resolution is sequential, in that economic improvement may be necessary to effect a positive change in this way. Both studies are careful to point out, however, that certain preconditions must be in place before similar results could be achieved elsewhere, namely an environment in which entrepreneurship is viewed as a joint enterprise *between* the antagonistic groups.

Similarly, Victor Friedman and Helena Desivilya, whose study provides the closest natural analogue to the area of study in this paper, suggest that the incorporation of hostile groups within a single social enterprise could strengthen bonds between these groups and lead to a greater potential for lasting conflict resolution (2010). Their study, which took place in Northern Israel,

an area of greater Israeli Arab concentration than other parts of the state, recommended the implementation of a strategy designed to foster cooperation between Israeli Jews and Arabs by means of cooperation through social entrepreneurship. Friedman and Desivilya allow that social entrepreneurship can be defined very broadly, ranging from organizations for whom profit is secondary or even unimportant, to a very loose definition incorporating both the aforementioned and the average, profit-seeking firm, who by seeking to earn a profit nevertheless make changes in the social environment. For the purposes of this paper, social entrepreneurship will be viewed as those firms or organizations that contribute positively to the social and economic well-being of society as a whole. In other words, any firm that is not a “predator.”

In this paper, I seek to fill two existing gaps in the literature: a quantitative analysis of policy’s effect on the Palestinian entrepreneurial landscape, and the potential for entrepreneurship to serve as a catalyst for conflict resolution between Palestinians and Israelis. The end goal is to show that research into the role of the entrepreneur and of entrepreneurship generally in supporting conflict resolution is a promising field of endeavor that could lead to improved policymaking in the future.

CHAPTER II

METHODS

This research will be conducted through a two-part analysis of Palestine and Israel. First, a review and analysis of relevant socioeconomic statistics will establish a basis on which a discussion of the entrepreneur's place in Palestine will be conducted. Second, an analysis of current Israeli and Palestinian policies will lay the groundwork for a discussion of the effects of both entity's policies on the economic situation in Palestine, and how alterations or revisions of those policies may be able to achieve the joint goal of economic improvement and conflict resolution. For this segment, I will primarily focus on Israel's security policies, which are generally believed to be one of the most significant hurdles to Palestinian economic development (Chalabi 2013; International Development Research Centre 2010).

Due to the lack of any measure or index directly counting the number of predatory firms in any society, closely related statistics will be used to approximate the amount of predatory activity taking place in Palestine. Under ideal circumstances, I would normally give particular focus to those measures indicated by Mehlum et al. as being particularly conducive to the development of predatory business activity: crime statistics, rebel groups, extralegal contract enforcement, and various forms of government and business corruption (Mehlum, Moene et al. 2003). However, due in large part to the unstable nature of the Palestinian government and the frequency of disruptive conflict, data which would normally be available and reliable is not forthcoming. Even if it is available, it is not always reliable or consistent. For example, numbers that one might think would be easy to find, such as casualty figures for combats, are made virtually unusable

due to inconsistent labeling of casualty categories (combatants, civilians, etc.). Additionally, Israeli sources often publish one number, and Palestinian sources publish another (usually bleaker) one. It is rarely clear which source is more reliable, and even when a seemingly unbiased source appears, such as from the Israeli humanitarian organization, B'Tselem, the data on casualty figures is incomplete and poorly documented. With that in mind, it is important to be completely honest and note that this study is severely hampered by the scarcity of reliable data. Care was taken to select data from reliable sources as much as possible, but even respected organizations like the World Bank are flummoxed in their data gathering, and the paucity of consistently collected time-series statistics tellingly indicates this. The data that I have used is therefore not ideal, but it is the best that could be reasonably collected given the limitations at hand. Further detail on the specific sources for each dataset will be provided wherever they first appear.

Through the use of the available data, I will create a regression analysis of various indices in order to construct a holistic picture of correlating factors within the Palestinian entrepreneurial environment. These will be used to interpret, validate, and qualify policies that have been put in place by the Israeli and Palestinian governments. In order to illustrate the effects of policies on the various data, I will construct a time-series analysis indicating relationships between the approval and implementation of policies and their effects on the relevant indices. All relationships and comparisons will be displayed in graphs or tables in the results section of this paper. Additionally, the statistical methods that were used in the development of these analyses will be detailed mathematically where applicable.

The following indices will be used as proxies for predator firms and other corrupt activities. The Worldwide Governance Indicators project provides many useful data, five of which will be used here: Political Stability and Absence of Violence, Government Effectiveness, Rule of Law, Regulatory Quality and Control of Corruption (Kaufman, Kraay et al. 2014). The Worldwide Governance Indicators are constructed from “the views of a large number of enterprise, citizen and expert survey respondents” and are based off of data sourced from a variety of other reputable institutions in the private and public sector. Additionally, I will make use of various economic and social data from the World Bank as well as the Palestine Stock Exchange. It should be noted that many of the data published by the World Bank is collected from the official agencies of the countries in question. The West Bank and Gaza Strip (as it is denoted in World Bank publications) has had many issues with accurate reporting of data, and it is not always clear how reflective its officially published data is of actual circumstances. However, due to the lack of better sources for the information, this paper will assume that the World Bank data is reasonably accurate.

The second stage of this paper deals with the policies put in place by the Israeli government and the State of Palestine and how they might affect Palestinian entrepreneurs, predator firms, and the general economic environment of Palestine. Information on relevant policy changes, adoptions, implementations, etc. will be taken from government publications and announcements, from press sources, from the analyses of different think-tanks, and from other academic sources. The specific origination of each policy analysis, press report, etc. will be detailed where applicable. Although the primary purpose of this information will be to further develop the statistical worth of the foregoing segment of this paper, it will also be used as a

source to critique current policies of the Israeli government and Palestine in order to highlight areas where improvements can be made. The particular improvements that I will target in this paper are limited to entrepreneurial development and corresponding conflict resolution. Critiques will be based off of similar assertions by scholars and policy experts who have researched similar aspects of the Israel-Palestine relationship. Their analyses and their relationship to my own will be further detailed in the relevant parts of the results section of this paper.

CHAPTER III

RESULTS

Through a comprehensive review of Israel and Palestine's joint political history, beginning with the foundation of the Palestinian Authority and continuing to the present, I have created a series of timelines that portray both key political events as well as social, economic, and other forms of data concurrently on the same chart. The purpose of these charts is twofold. First, they will be used to graphically illustrate correlations between various political circumstances and changes in the economy and entrepreneurial environment of Palestine, which will then be described in further detail in the text. Second, they are intended to provide future researchers with easy access to visual portrayals of data and their relationship to political events in order to facilitate analysis of the causes and effects of such happenings. This latter purpose fills a gap in the existing literature which could be overcome by providing researchers with an easy means of visualizing the data at hand before beginning their studies. Please note, I have chosen to focus on diplomatic events, attacks, conflicts and elections because of their well-documented effects on the economy. Of course, there are many possible external factors that could cause changes in the Palestinian economic and entrepreneurial environment, as well as non-political domestic factors, but such an analysis is beyond the scope of this project. Finally, this paper uses many abbreviations in the data section, for which a list of equivalencies can be found in the appendix.

First of all, I will present in Table 1 a list of all those political events which I perceived as being most critical to a proper interpretation of statistical events (Kaplan 2008).

Table 1. Political Timeline of Israel and Palestine		
Start Date	End Date	Event
9/13/93		Signing of Oslo I
7/5/94		Yasser Arafat
10/26/94		Jordan and Israel sign Peace treaty
9/28/95		Signing of Oslo II
11/4/95		Assassination of Yitzhak Rabin
11/22/95	6/18/96	Shimon Peres
4/11/96	4/27/96	Operation Grapes of Wrath
6/18/96	7/6/99	Binyamin Netanyahu
10/23/98		Wye River Memorandum
7/6/99	3/7/01	Ehud Barak
7/25/00		2000 Camp David Summit
9/28/00	2/8/05	Second Intifada
3/7/01	4/14/06	Ariel Sharon
9/11/01		September 11 Attacks
3/19/03	9/6/03	Mahmoud Abbas PM
7/16/03		Road Map for Peace
10/7/03	3/29/06	Ahmed Qurei PM
11/11/04		Death of Yasser Arafat
8/15/05		Israeli Disengagement from Gaza
1/25/06		Hamas Election Victory in Gaza
3/29/06	6/2/14	Ismail Haniyeh PM
4/14/06	3/31/09	Ehud Olmert
7/12/06		2006 Lebanon War
6/10/07	6/15/07	Battle of Gaza
6/15/07	6/6/13	Salam Fayyad PM
11/27/07		Annapolis Conference
2/29/08	3/3/08	Operation Hot Winter
11/23/08		Mahmoud Abbas
12/27/08	1/18/09	Gaza War (Operation Cast Lead)
3/31/09		Binyamin Netanyahu
5/31/10		Gaza Flotilla Raid
10/18/11		Gilad Shalit Prisoner Exchange
10/31/11		Palestinian UNESCO Membership
3/9/12	3/14/12	Operation Returning Echo
11/14/12		Operation Pillar of Defense
11/29/12		UN General Assembly Resolution 67/19
1/3/13		Proclamation of State of Palestine
6/6/13	6/23/13	Rami Hamdallah PM
7/29/13	4/29/14	John Kerry Peace Talks
6/2/14		Reappointment of Rami Hamdallah PM
7/8/14	8/26/14	Operation Protective Edge

It should be noted that some of these dates have been simplified. For example, Ahmed Qurei's seven day interruption as Prime Minister has been skipped. Additionally, the positions and dates of service of Ismail Haniyeh and Salam Fayyad are somewhat controversial, but have also been simplified for the sake of cleaner analysis. Critical events listed in Table 1 will be indicated on the following time-series data charts. First off is the data on ease of starting a business in Palestine, which is illustrated in Table 2 and Chart 1. This information comes from the World Bank's publicly available database, the World DataBank, as part of the Doing Business project (Doing Business Project 2014a; Doing Business Project 2014b).

Table 2. Legal Ease of Doing Business		
DATE	STRUP	BIZSTRT
2004	12	93
2005	12	93
2006	12	93
2007	12	92
2008	11	48
2009	11	48
2010	11	48
2011	11	47
2012	11	47
2013	9	45
2014	9	44

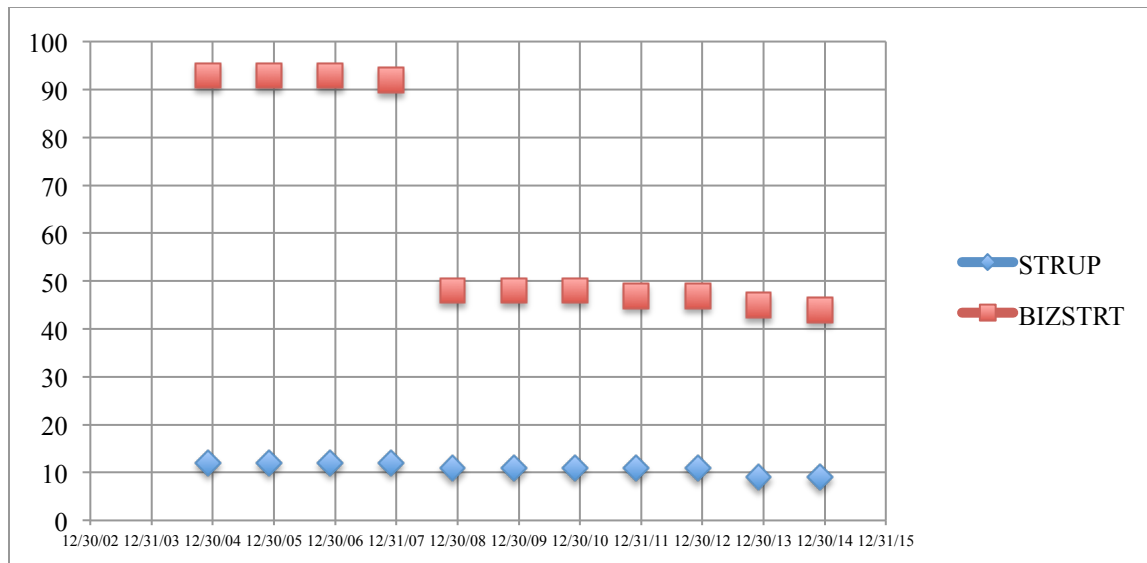


Figure 1. Legal Ease of Doing Business

This data will be used as a backdrop to explain changes in polled data on Palestinian perceptions of government corruption as well as their views on entrepreneurship. Particular emphasis will be given to the large decrease in business regulations that began in 2008 to see whether this had any effect on those perceptions.

The following data covers some social statistics including refugee numbers and school enrollment rates. School enrollment rates will be used to identify entrepreneurship preparedness and attitudes to the government. Refugee statistics will be used as a backdrop for the problems of business registration and securing financial capital, which has consistently been a problem in Palestine. Bank statistics would be useful to further explore this facet of the Palestinian economy, but few are forthcoming at this time. The refugee data was also taken from the World DataBank, which sourced it from UNESCO, the UN High Commissioner for Refugees (UNHCR), and the UN Relief and Works Agency (UNRWA), both of which contributed in part to the data collection (United Nations High Commissioner for Refugees and United Nations

Relief and Works Agency 2014). The statistics on school enrollment were also taken from the World DataBank, which were sourced from UNESCO (UNESCO Institute for Statistics 2013).

Table 3. Population Statistics			
DATE	REFPOP	SECSCH	TERSCH
1993	1084838		
1994	1142905		
1995	1200972		
1996	1249368		16.35%
1997	1308438		18.96%
1998	1348288		20.69%
1999	1384655	74.81%	23.11%
2000	1428891	76.85%	23.86%
2001	1483394	78.06%	26.12%
2002	1532589	80.94%	28.04%
2003	1587920	83.74%	32.30%
2004	1634952	87.16%	37.06%
2005	1685851	87.72%	41.34%
2006	1739266	88.13%	44.23%
2007	1793901	87.36%	48.90%
2008	1836123	86.70%	50.65%
2009	1885188	85.07%	48.97%
2010	2015855	82.99%	50.06%
2011	1895043	80.81%	51.31%
2012	1944544	80.66%	49.06%

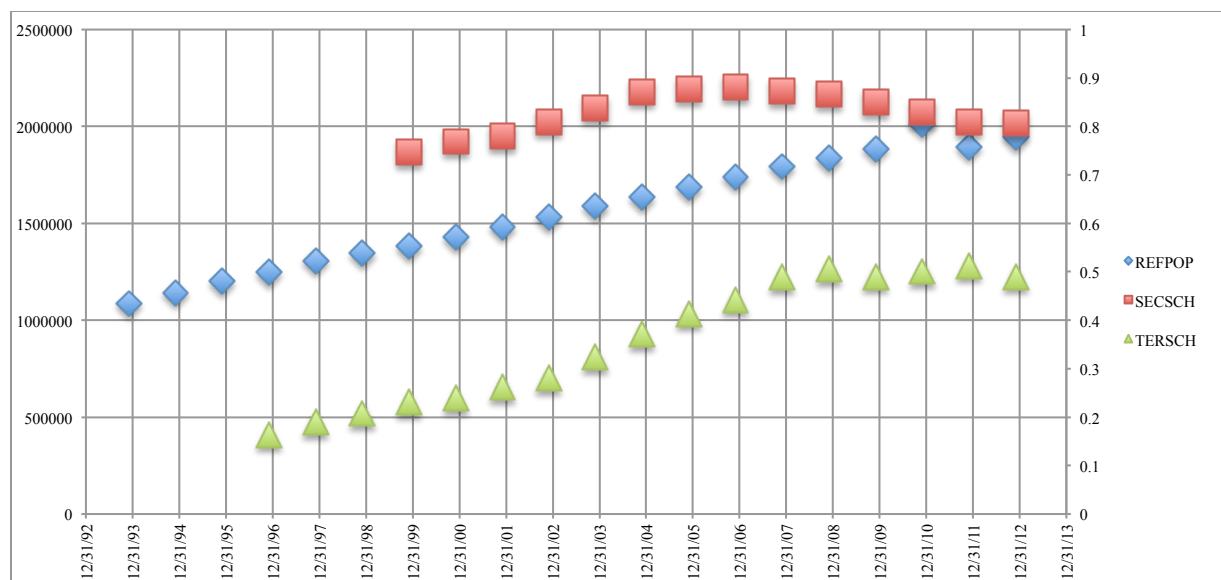


Figure 2. Population Statistics

The following data consists of several macroeconomic indicators that are critical to the understanding of Palestine’s general economic status, which has great bearing on the success of its entrepreneurs. Gross domestic product and gross domestic product per capita, along with their growth rates, will be used to dissect the influences on corruption perceptions and the entrepreneurial environment. Foreign direct investment and gross capital formation will be used to track the amount of money that is being spent on economic investment. These data should be particularly useful in linear regression analysis to draw conclusions about possible factors causing business to be successful or not. Additionally, youth unemployment, a rampant problem particularly in the conflict zones of the Middle East, will be used to gauge variations in attitudes towards corruption and entrepreneurship. The data was taken primarily from the World Databank, but data on foreign direct investment was sourced from the International Monetary Fund (World Bank National Accounts Data 2015; International Monetary Fund 2014). Table 4 shows the data, and Graphs 3 and 4 portray it visually.

Table 4. Macroeconomic Statistics							
DATE	GDPPC	GDPPC %	GDP	GDP %	CAPFOR	FDI	YTH UN
1993							37.6%
1994	\$1,201.14		\$2,842,261,249		40.3%		34.5%
1995	\$1,325.99	2.4%	\$3,281,382,697	7.12%	38.1%	\$122,600,000.00	24.0%
1996	\$1,316.77	2.6%	\$3,407,783,959	7.27%	36.5%	\$177,200,000.00	34.7%
1997	\$1,389.29	18.6%	\$3,760,126,840	24.01%	35.0%	\$163,000,000.00	29.7%
1998	\$1,465.01	22.8%	\$4,067,692,861	25.93%	34.5%	\$218,153,104.71	21.1%
1999	\$1,499.60	15.0%	\$4,271,509,596	17.97%	42.9%	\$188,631,781.97	17.4%
2000	\$1,477.15	-12.2%	\$4,316,456,403	-9.88%	31.5%	\$62,005,481.83	20.8%
2001	\$1,336.92	-8.8%	\$4,007,793,546	-6.42%	29.6%	\$19,176,400.67	34.6%
2002	\$1,156.75	-4.0%	\$3,557,451,047	-1.47%	26.2%	\$9,440,000.00	41.7%
2003	\$1,254.93	6.4%	\$3,959,278,955	9.21%	28.8%	\$17,972,000.00	41.1%
2004	\$1,336.97	6.1%	\$4,327,268,305	8.88%	26.6%	\$48,900,000.00	39.8%
2005	\$1,455.93	8.2%	\$4,834,276,371	11.05%	25.7%	\$36,242,000.00	38.7%
2006	\$1,442.82	-7.0%	\$4,914,728,157	-4.54%	23.5%	\$18,587,960.00	35.7%
2007	\$1,576.29	-4.3%	\$5,508,346,521	-1.77%	21.9%	\$19,596,000.00	35.2%
2008	\$1,855.46	-11.2%	\$6,673,500,000	-8.63%	20.6%	\$51,508,000.00	40.2%
2009	\$1,963.20	17.5%	\$7,268,200,000	20.94%	20.7%	\$300,468,000.00	38.1%
2010	\$2,338.72	-0.6%	\$8,913,100,000	2.34%	21.6%	\$153,641,047.79	37.7%
2011	\$2,664.95	4.7%	\$10,465,400,000	7.89%	17.8%	\$235,320,965.56	34.1%
2012	\$2,782.91	10.9%	\$11,262,141,134	14.30%	21.1%	\$179,597,571.02	38.6%
2013		-7.2%		-4.43%		\$177,205,348.44	38.3%

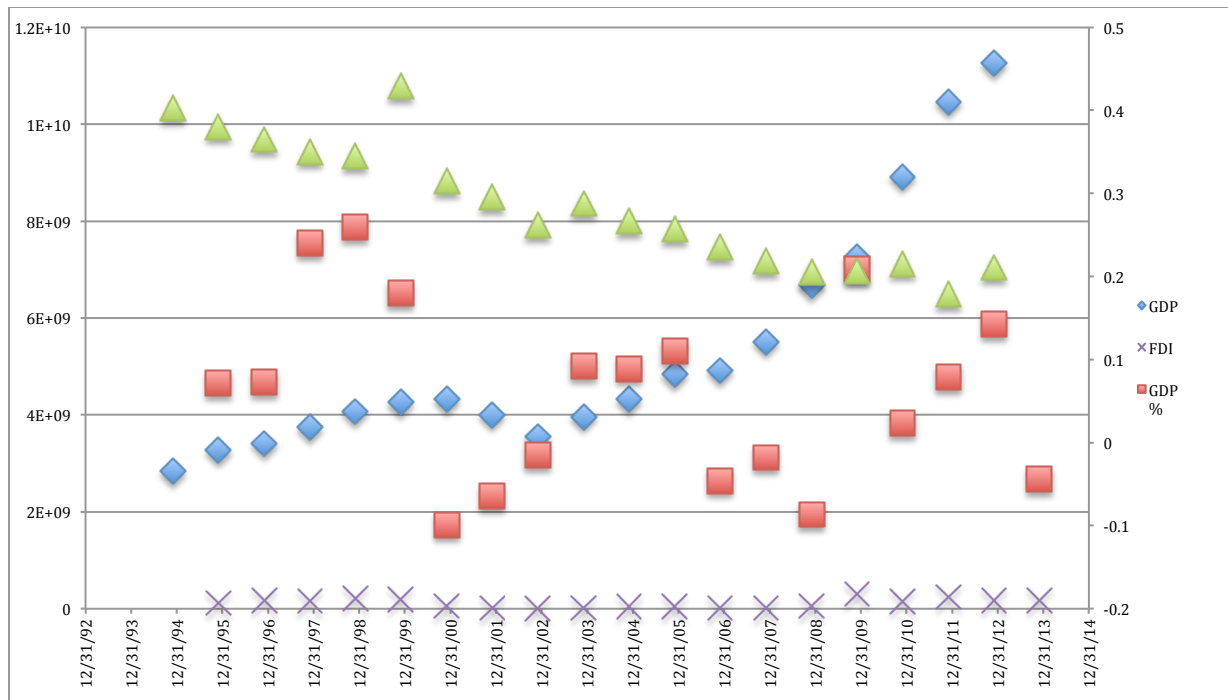


Figure 3. Macroeconomic Statistics

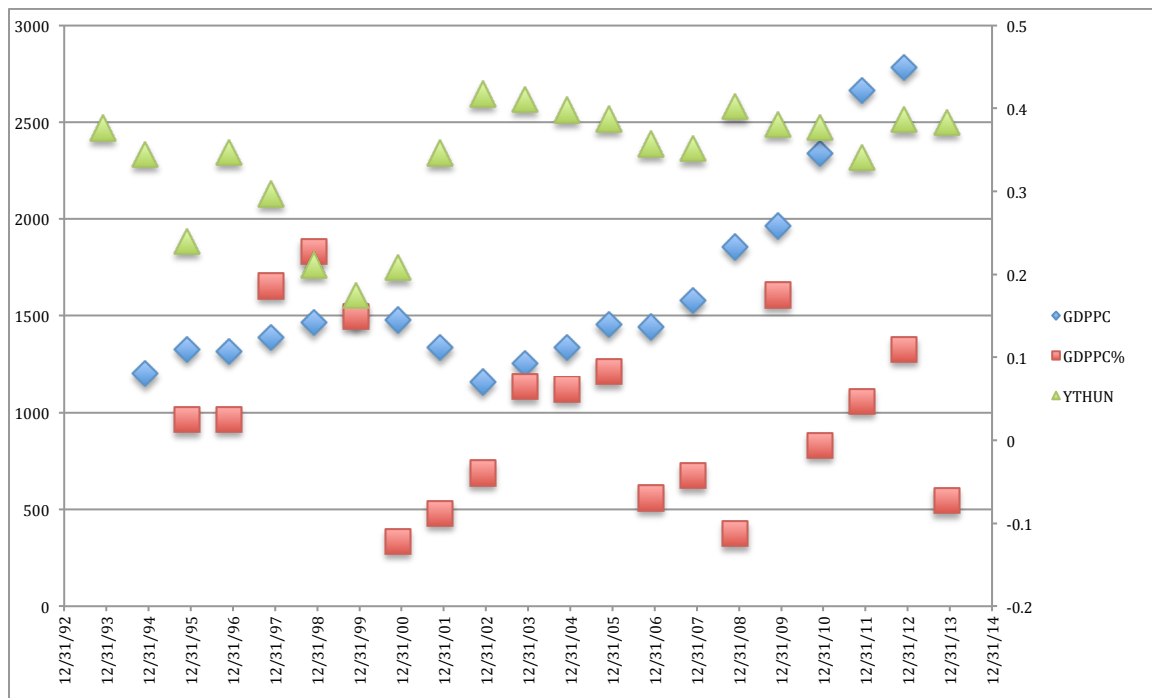


Figure 4. Individual Level Finances

Next, the Worldwide Governance Indicators, which are a project of the World Bank, will provide useful data to be used in linear regression analysis. One of the only studies of governance to have been applied consistently over a long period of time in Palestine, it will serve as a proxy for other hard-to-measure theoretical concepts, such as corruption and the presence of predator firms. The individual categories are rated on a scale from -2.5, the worst, to 2.5, the best. According to the authors, “the six aggregate indicators are based on 31 underlying data sources reporting the perceptions of governance of a large number of survey respondents and expert assessments worldwide” (Kaufmann, Kraay, et al. 2010). This data is summarized in Table 5.

Table 5. Worldwide Governance Indicators						
DATE	VOXACC	POLSTAT	GOVEFF	REGQUA	RULAW	CORCON
1996	-1.10	-1.65	-1.20	-0.92	-0.11	-0.93
1997						
1998	-1.11	-1.66	-1.19	-0.94	-0.09	-0.92
1999						
2000	-1.15	-1.66	-1.26	-0.97	-0.12	-0.97
2001						
2002	-1.15	-1.77	-1.07	-1.05	-0.38	-0.97
2003	-1.23	-1.35	-1.30	-1.06	-0.13	-1.10
2004	-0.82	-1.10	-0.82	-0.64	-0.27	-0.42
2005	-0.85	-1.37	-1.09	-1.04	-0.36	-0.98
2006	-0.54	-1.70	-1.11	-1.14	-0.50	-1.10
2007	-0.76	-1.95	-1.22	-1.40	-0.77	-0.81
2008	-0.78	-1.97	-1.32	-1.15	-0.81	-1.15
2009	-0.93	-2.03	-0.71	-0.17	-0.35	-0.36
2010	-0.76	-1.94	-0.42	0.29	-0.21	-0.34
2011	-0.96	-1.93	-0.63	0.29	-0.44	-0.80
2012	-0.88	-1.94	-0.75	0.11	-0.46	-0.78
2013	-0.87	-1.90	-0.78	0.15	-0.44	-0.71

Next, almost 18 years of data from the Al-Quds Index of the Palestinian stock exchange will provide useful insight into the effects of political upheavals and conflict on the financial situation of Palestine’s few large firms (Palestine Exchange 2015). It should be noted that the Al-Quds Index contains very few companies, but around half of them are banks or investment firms, which allows for better insight into the decision-making of and trust in Palestine’s financial sector. This index includes over 3,000 data points, so it is not feasible to list it here in tabular format. Instead, it is portrayed in Graph 5, and can also be referenced on the Palestine Exchange website.

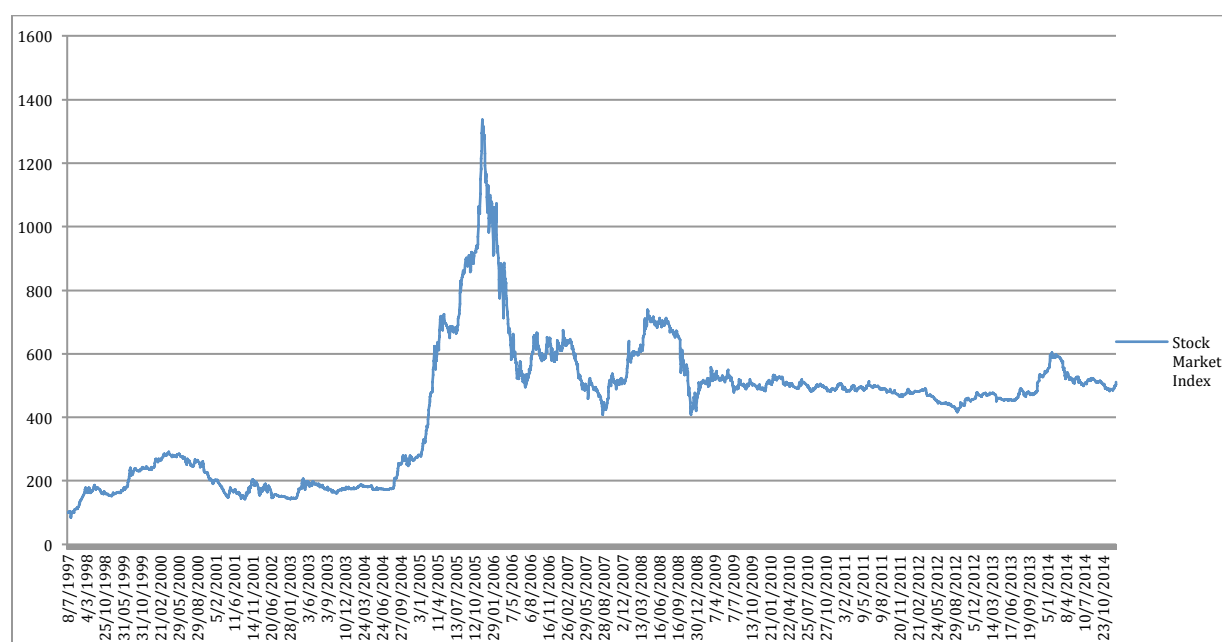


Figure 5. Stock Market Index

Additionally, data on comprehensive closure days has been included from the Israeli humanitarian organization, B’Tselem, which retrieved them from the Israeli Defense Force spokesperson’s office (B’Tselem 2014). According to B’Tselem, “during a comprehensive closure, all permits previously issued to residents of the Occupied Territories for purposes of

work, trade, or medical treatment are invalid,” and “residents are also not allowed to travel between the West Bank and Gaza” (B’Tselem 2014). This data will be used to determine correlations between Israeli security policy and its effects on the Palestinian entrepreneurial environment. Unlike many policy endeavors, this particular one is more easily quantified, and thus more easily analyzed. It is shown in Table 6. Please note, however, that data from 2014 was current only until June.

Table 6. Comprehensive Closure Days	
DATE	DAYS (Number)
2000	73
2001	244
2002	77
2003	178
2004	163
2005	132
2006	122
2007	34
2008	52
2009	55
2010	44
2011	31
2012	11
2013	7
2014	5

Finally, indicators on Palestinian businesses and entrepreneurship were taken from the Palestinian Central Bureau of Statistics, which is tasked with the quantification of economic and demographic indicators for the State of Palestine (Palestinian Central Bureau of Statistics 2014a, Palestinian Central Bureau of Statistics 2014b). It should be noted that the PCBS does not make clear who the licensor of the building permits is. It is possible that the building licenses

referenced here are granted by both Palestinian authorities and the Israeli Defense Force (especially in Area C), but there is no clarification from the PCBS on this matter. Were the resources and data available to break down these numbers into categories representing Areas A, B, and C, which all have different government arrangements with varying degrees of Palestinian sovereignty, the results of statistical analysis would not only have been more accurate, but also better tailored to specific regions. Unfortunately, such an analysis is currently not possible given currently available data.

Table 7. Palestinian Central Bureau of Statistics			
Year	Expenditure on new construction and additions (1000s USD)	Building Licenses Issued in Palestine	Number of Enterprises Engaged in Palestine For Industrial Activities
1997	699.8		14438
1998	985.5		14471
1999	1,000.00	9,918	14849
2000	351.8	8,301	14509
2001	251.8	5,133	14605
2002	379.6	3,325	14179
2003	408.9	5,235	13693
2004	811.3	5,008	12690
2005	755.6	7,108	12211
2006	464.7	6,061	11351
2007	489.9	4,488	14508
2008	540.2	4,546	14539
2009		5,383	15322
2010	657.1	6,332	15617
2011	889.8	7,708	17090
2012	908.9	8,239	16263
2013	913.1	9,138	16201

All data listed above has been collected with the intent of using it to conduct statistical analyses of their relationships with one another. However, the results seem to show that the relationships

between many of these indicators are murky and unclear. Some tests have hinted at little to no statistically valid relationship with such seemingly powerful factors as comprehensive closure days. These results have shown that more analysis is needed in order to reach more concrete conclusions, and possibly the inclusion of a wider variety of data. However, a number of useful relationships were drawn, which are detailed further below.

All relationships shown below were constructed using the ordinary least squares linear regression model with the Student's t-test distribution,

Equation 1.

$$\hat{y} = \hat{\beta}_0 + \hat{\beta}_1 + \cdots + \hat{\beta}_n + u$$

In no case were the results of these regression analysis constructed optimally, due largely to heteroscedastic datasets. Additionally, it is difficult, if not impossible, to rule out the effects of omitted variable bias on the results of the study. However, a good faith effort was always made to reduce as much as possible endogeneity of all variables regressed. The results are presented in table 7. Regressions listed with a single asterisk (*) are significant where $\alpha=.05$. Regressions listed with two asterisks (**) are significant where $\alpha=.01$.

Table 8. Linear Regression Analysis						
y	β_1	Observations	Coefficient	Standard Error	p-level	R²
Number of enterprises engaged in Palestine for industrial activities *	Closure Days	14	-13.895	5.257	0.021	0.368
Expenditure on new constructions and additions**	FDI (100,000s)	16	0.243	0.045	.0001	0.672
Building licences issued in Palestine*	FDI (100,000s)	15	1.059	0.477	0.045	0.275
Number of enterprises engaged in Palestine for industrial activities**	FDI (100,000s)	17	1.019	0.3	0.004	0.435
FDI*	GOVEFF	15	194,790,004.685	77,755,058.348	0.026	0.326
FDI*	CORCON	15	187,124,028.546	86,219,930.492	0.049	0.266
FDI*	Closure Days	14	-788,904.705	317,978.565	0.029	0.339

For the final regression, encompassing FDI and comprehensive closure days, it is important to note that the independent variable is being used as a proxy for general levels of instability and violence. Because there is no reliable and available data on actual violence itself, this variable should be interpreted with the knowledge that closure days are often instituted as a response to general levels of instability and violence. Therefore, it is not a good representation of the effects of Israeli policy per se, but it does contain useful information on levels of violence as a whole. On the other hand, comprehensive closure days has far less omitted variable bias when it is used as the independent variable for the number of enterprises engaged in Israel for industrial

activities. As detailed by the Global Entrepreneurship Monitor, “the Israeli closure policy has led to the ... suspension or closure of many enterprises,” which provides a strong theoretical support for the accuracy of comprehensive closure days as an independent variable for this particular regression (International Development Research Centre 2010).

CHAPTER IV

CONCLUSIONS

Based on the results gathered from both the analysis of Israeli and Palestinian policy and economics, as well as the statistical assessment of the various indicators for entrepreneurship, investment, and corruption, a series of policy recommendations will be laid out as a possible path to achieve the improved conflict resolution so necessary for Palestinian peace prospects. The recommendations will be separated by country, first Israel, then Palestine, and finally a joint section which discusses needed areas of cooperation for both parties. Some additional theoretical backing will be included where the results pointed in unanticipated directions.

Israel

Israel's primary role in this recommendation is one of a facilitator. It is unreasonable, both in economic and political terms, to assign Israel the primary role in rebuilding the Palestinian economy. This burden would not be acceptable to the Israeli public, regardless of whatever decisions might be made domestically or internationally as to the originator, perpetuator, or prime contributor to conflict in the region. Furthermore, a common theme in the discussion of Palestine and Palestinians is the idea of humiliation. According to David Lacey, "humiliation denotes the emotion associated with being treated disrespectfully and undeservedly by others" and it "occurs when others treat a group as if they perceive their worth or status to be lower than the group perceives it to be" (Lacey 2011). Too much Israeli involvement in Palestinian economic reconstruction is likely to be perceived as a kind of colonialism, which has been considered as a form of humiliation throughout the world (Memmi 1965). It is therefore

important that the Palestinians are able to take personal ownership of their reconstruction, not because it is entirely their duty to do so, but because it is important to avoid the sense of humiliation which Lacey suggests contributes to the ongoing cycle of violence. With this in mind, Israel's best strategy would be to provide and maintain an environment in which Palestinians are able to build a better economy.

Avoid Comprehensive Closure Days and Movement Restrictions

First and foremost amongst Israel's policy recommendations is to ease movement restrictions on Palestinians, especially those working in businesses. The Global Entrepreneurship Monitor reports that 90% of Palestinian exports go to Israel, and 70% of its imports come from Israel (International Development Research Centre 2010). Aside from the obvious costs associated with the inability on as many as two out of three days of the year (during the beginning of the Al-Aqsa Intifada), to enter Israel for commercial purposes, it is also important to note the difficulty of conducting business *within* Palestine itself (see Table 6 for numbers). In the Gaza Strip, Israeli embargoes and blockades have restricted or eliminated the import of many construction materials and agricultural equipment, largely on the back of security concerns. In the West Bank, areas of Palestinian sovereignty are broken up into a patchwork of territories that are rarely interconnected, being separated by areas of complete Israeli military control. By the Oslo Accords, three sections denoting three types of sovereignty delineate the map of Palestine. Area A falls under more or less complete control of the State of Palestine. Area B operates in a kind of condominium arrangement with Israel, where Palestine controls certain types of law, but Israel maintains security. Finally, Area C is under total Israeli military control and is not subject to Palestinian governance. Generally, Palestinians are prevented from developing or building on

this land, even though Israelis have built many illegal settlements here. Figure 6 illustrates the situation.

Besides comprehensive closure days, other Israeli policies have a deleterious effect on the ability of Palestinian entrepreneurships to thrive. Checkpoints and roadblocks increase transportation costs and time needed to accomplish business (International Chamber of Commerce – Palestine 2013). Many areas where a market could otherwise be available for expansion are off-limits to Palestinians. Additionally, in Chapter III, we saw that for every comprehensive closure days, one can expect 14 Palestinian businesses engaged in industry to close their doors. Happily, the number of closure days has declined markedly over the years. However, checkpoints, security barriers and roadblocks are still a significant hurdle to overcome, and if Palestine is to have any chance at sustained economic growth, these too must be minimized.

Do Not Annex Area C

Outright annexation of Area C, which would be illegal under international law, has begun to be touted by some in Israel's government. The *Times of Israel* reported on April 27, 2014, that Naftali Bennett, leader of the Bayit Yehudi party and coalition member of the current Israeli government, believes that Israel should annex Area C in response to Palestine's reluctance to negotiate with Israel (Times of Israel Staff, AP et al. 2014). Although he admitted that this was not an official viewpoint of the party, he nevertheless suggested that many other ministers would agree at least in part with his plan.

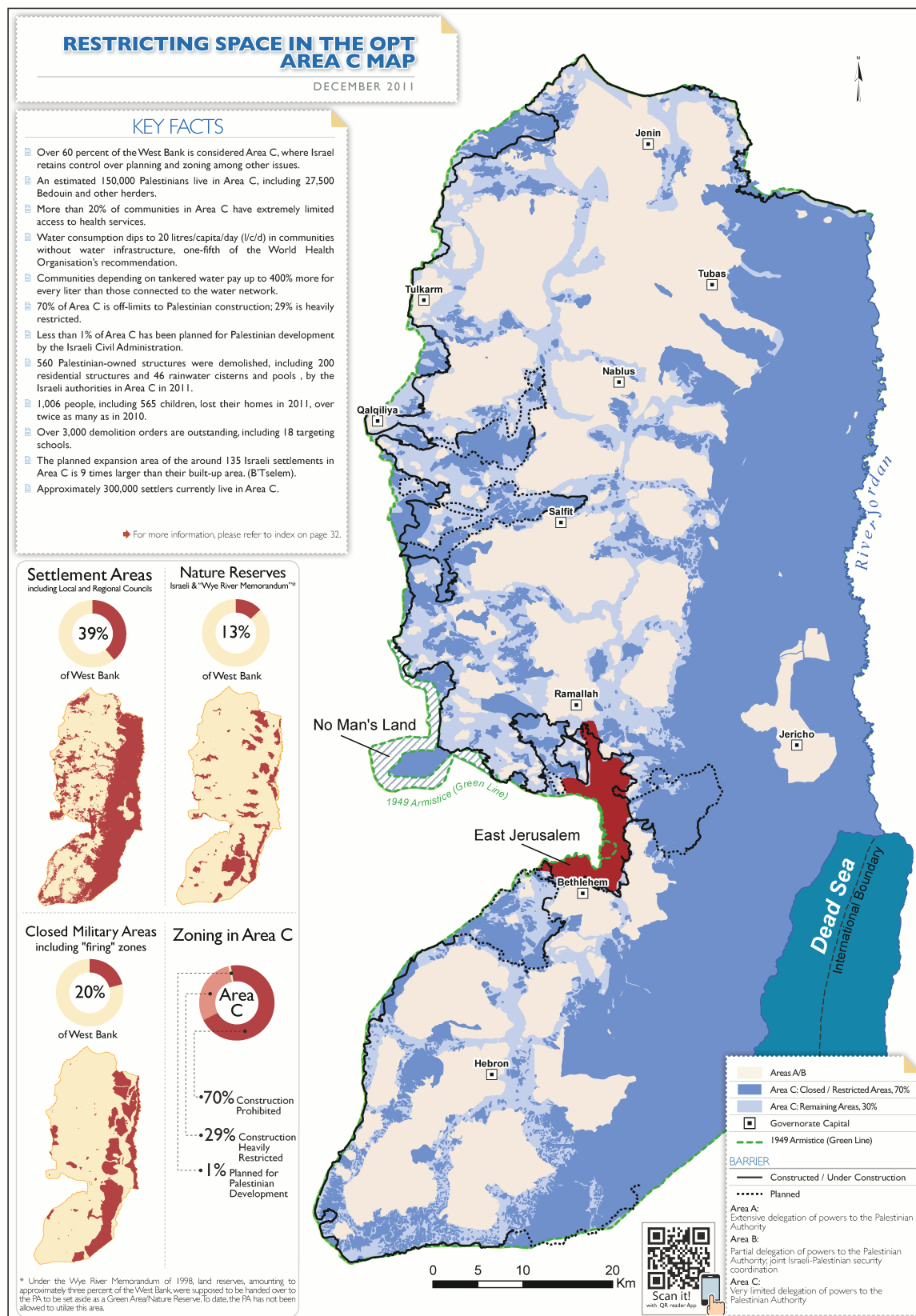


Figure 6. Occupation Zones (United Nations Office for the Coordination of Humanitarian Affairs 2011)

The Times of Israel reports that Naftali Bennett's position in the new coalition government is uncertain (2015), so perhaps it is not immediately likely that Israel would opt for this radical move, however, it is imperative that such an annexation not be made. Annexation of Area C would result in the permanent fragmentation of Palestinian sovereignty, reducing it to an archipelago of semi-sovereign, disconnected units between which travel and commerce is hampered constantly by the need to cross national borders dozens of times. Under such an arrangement, a shipment from Tulkarm to Hebron, both officially part of the State of Palestine, could very feasibly involve crossing international borders *nineteen* times. No guarantee of freedom of movement by Israel could possibly reduce to nil the negative effects of such an annexation.

Even excluding the absurd cost of transportation that result from this arrangement, annexation of Area C would permanently reduce Palestine's ability to develop its resources and land effectively for maximum productivity. Area C contains much of Palestine's fertile land and water resources, and represents one of the best possible area of expansion for larger industries that need space in which to operate (Royle n.d.). Based on the increased cost of doing business and the removal of valuable land for expansion, it does not seem possible that an independent Palestinian economy could ever arise in such circumstances.

Restrict Settlements

Further Israeli settlements, which the international community has consistently viewed as illegal under the Fourth Geneva Convention (Barak-Erez 2006), should at present be restricted, and in the long run should be eliminated. According to the Israeli-Palestinian Interim Agreement on the

West Bank and the Gaza Strip (1995), the land on which Israeli settlements have been built is Palestinian territory, but the maintenance of these settlements by Israel has constructed a security situation which justifies Israeli measures to restrict movement and development in Area C. Furthermore, the settlements have served as a groundwork argument for those wishing to annex Area C, which, as mentioned early, would prove devastating to the Palestinian economy.

These three suggestions form a small part of the many needed changes in both Israel and Palestine to form a foundation for peace and prosperity. Many more alterations of policy and approach could be recommended, but based on the data collected in this study and the intentionally limited scope of the paper, these policies would be the most effective in accomplishing the goals of conflict resolution and improved entrepreneurial potential.

Palestine

Whereas Israel's ideal job would be to act as the facilitator for improvement in the Palestinian economy, Palestine itself must be the primary agent of change. Many areas of Palestinian governance and economic management are in need of urgent changes. Even if Israel were to immediately and unconditionally withdraw from all of the occupied territories, it seems unlikely that Palestine would be able to develop its economy without first tackling these critical issues.

Reduce Corruption

Palestine has, throughout its modern existence, struggled against rampant, endemic corruption (Chêne 2012, Ramahi 2013). This corruption takes place in all sectors of the economy and of governance. Ramahi details the extravagance of many high-ranking public officials who have

channeled foreign aid and investment money into personal bank accounts and projects. In one instance, he describes how Ahmed Qurei, a former Prime Minister and legislator, used public funds to sponsor the cement used by Israel to build the separation barrier around and within Palestine. He also discusses endemic corruption within the commercial sector, where businessmen are under increasing pressure from domestic and foreign businesses to “toe the line” of the established system in order to maintain their positions. Interestingly, Chêne reports that Palestinian businesses rarely seem to experience corruption first hand. Indeed, she mentions that only 13% believe that they will need to bribe public officials in the coming years to accomplish their work. Nevertheless, 66.5% of businesses believe that corruption poses a major constraint to doing business in Palestine. It is possible that this discrepancy is due to the different levels at which corruption in Palestine is occurring. On the one hand, there appears to be relatively little corruption at the lowest levels of citizen-government interaction, but there appears to be almost ludicrously high levels of corruption in the uppermost echelons of Palestinian government. It would seem then, that corruption in Palestine is in large part due to the failure of the governing classes to purge corruption from amongst their ranks. Elliott Abrams, a senior fellow for Middle Eastern studies at the Council on Foreign Relations, describes a culture of corruption surrounding the uppermost levels of leadership in Palestine (2012). These are often the central administrators who decide where government funds and international aid are allocated, and it should be very clear how simple it is for many of those funds to go missing. Ramahi reports that between 2008 and 2012, nearly 2 billion euros in aid were lost to corruption. Here, it is important to look back at the statistics on foreign direct investment and its correlation with economic activities. High levels of foreign direct investment were very strongly correlated with greater expenditures on new constructions and additions as well as the number of firms

engaged in industrial activities. Foreign direct investment was also strongly correlated with the number of building licenses issued in Palestine for the same time periods. Perhaps most importantly however, higher levels of foreign direct investment were also strongly correlated with improved corruption control, which suggests that Palestine has a strong role to play in this sector to improve its economy. These statistics show that foreign investment is a critical part of the Palestinian economy, especially at its current stage of development, and is a vital part of Palestine's pathway to economic success. It is understandable then, that corruption, which wastes away much of this investment and aid money, is a critical target for public administration reform in Palestine.

Reform Financial System

One of the most important changes in the needed in Palestine comes from the financial sector. It is a commonly recognized fact that entrepreneurs need an initial investment to start their businesses. Sometimes, the money needed to start a business is much greater than whatever personal funds or loans from relatives can afford. In such situations, a bank loan is needed to fund new business activities. In a study conducted in Bosnia-Herzegovina following its strife with Serbia, Demircü-Kunt, Klapper, and Panos found that although a prior bank relationship does not increase the rate at which individuals *become* entrepreneurs, it “significantly increases the chances of survival for new entrepreneurs,” suggesting that such a relationship is “instrumental in survival” (Demircü-Kunt, Klapper, and Panos 2011). Bosnia-Herzegovina and Palestine share several similarities in terms of their economy. Both countries have been subjected to a large degree of civil strife, both countries' industries are made up primarily of small to medium-sized enterprises, and both have large informal sectors.

Problematically, however, Palestinians do not currently find themselves in a situation where access to finance is easily available. Many banks are reluctant to invest in industries which they see as being vulnerable to political instability and violence. The regression analysis in Table 8 certainly bear out such concerns. Additionally, many Palestinian banks are hesitant to provide loans to small- and medium-sized enterprises (SMEs), which they see as being far riskier than loans to individuals (Royle n.d.). According to the World Bank, only 9% of firms subsidize their operating expenses with credit, which is extremely low by international standards (Finance and Private Sector Group 2008). The same study indicated that one of the primary causes for the low level of engagement from SMEs with financial institutions stems from their insistence on almost exclusively using collateral as a guarantee for loans rather than a mix of collateral and income analysis.

Furthermore, Palestine suffers from a unique refugee problem. As of 2012, its population stood at nearly 2,000,000, almost half the country's population. These individuals, who generally live in refugee camps sponsored, owned, and supported by other organizations, primarily the United Nations Relief and Works Agency (UNRWA), exist in a state of limbo. While many have lived in these camps for their entire lives, and some even are third-generation refugees, their temporary status is maintained because it is often used as a bargaining chip with Israel over the "right to return" to areas occupied by Israel as long ago as the 1948 war (Al Hussein and Bocco 2009). However, as noted in the previous paragraph, banks tend to lend money only to those who can offer some form of collateral in return. Refugees, which make up such a large percentage of Palestine's population, are scarcely able to meet such requirements given their living conditions.

Until a permanent settlement is reached in Palestine regarding the right to return, refugees find themselves in an awkward situation if they wish to be successful in their business activities because they are denied easy access to capital.

With these considerations in mind, it is therefore important that Palestine institute needed financial sector reforms targeting the risk calculations of its banks. In order to allow for entrepreneurs to develop the working relationship with a bank that appears to be so important to firm survival, Palestine must incentivize its banks to offer loans to SMEs by reducing the requirement to offer collateral in exchange for credit. Additionally, special considerations should be made for those with refugee status wishing to start or continue in their businesses, perhaps through micro-credit programs that could meet their needs more effectively.

Finally, it is critical that Palestine work to achieve a higher degree of political stability in its borders. Not only foreign investors but domestic banks too are spooked by political upheavals and violence, which severely affects their willingness to offer loans and investments to local businesses. This is, of course, a difficult goal to achieve, in large part because it is, in a sense, the end goal of these reforms itself. However, long-term stability is very different than short-term stability, and in this context, even short-term stability could offer substantial improvements to the ability of entrepreneurs to access financial capital to expand or found their businesses.

Palestine and Israel

Lastly, it is important to note a critical area in which Palestine and Israel would benefit most from cooperation with each other. Because cooperation between the two countries is often

fraught with strong political tensions on either side, it is important that this cooperation be as far removed from the political sphere as possible in order for its continuance to be assured. In Chapter I, the pioneering research on conflict resolution in Rwanda was discussed along with the research of Friedman and Desivilya into the potential for improved ties between Jews and Palestinians through social entrepreneurship. These studies indicate that increasing the amount and quality of interactions between Israelis and Palestinians could offer substantial improvements to both sides in terms of their views on each other and on conflict resolution generally. Critically, entrepreneurship in Palestine offers a unique opportunity to incorporate this strategy for conflict resolution into general economic improvement in Palestine. The Global Entrepreneurship Monitor found in its survey of Palestinians that very few early-stage entrepreneurs made use of professional experts, lawyers, accountants, public business advisory services, or business development services as a source of advice or mentorship (International Development Research Centre 2010). Meanwhile, just across the border is a relatively prosperous country with an admired entrepreneurial culture. This concurrent presence of need and availability of supply offers a unique chance to integrate the contact theory seen in Rwanda into Palestine and Israel.

This recommendation consists of a joint endeavor of Israel and Palestine for the latter to organize and enable local entrepreneurs to engage with and learn from the expertise of the former's entrepreneurs. It would form a sort of knowledge exchange program, where Israelis communicate their professional knowledge and experience with entrepreneurship with Palestinians eager to improve their own businesses. Additionally, Israelis would be offered the chance to invest in an umbrella fund for all the Palestinian entrepreneurship represented in this

group. Monies would be disbursed by the Palestinian agency responsible for the program, but it would be overseen as well by the investors themselves. The disbursement by the Palestinian agency is important because it allows for a cleaner, less complicated international investment process and because it provides a degree of separation between Palestinian entrepreneurs and their Israeli sponsors, which to some in Palestine might be considered to be a kind of collaboration with the “enemy.”

Although the chances for traditional manufacturing and service industries to benefit from this program is great, it is perhaps the tech industry that stands to gain the most. Palestinians are, according to the World Bank, amongst the best educated in the Middle East (World Bank National Accounts Data 2015). As early as 1999, Niron Hashai suggested that this educated workforce could be tapped by Israeli firms looking to outsource certain processes abroad (1999). He too pointed out the potential for spillover of Israeli knowledge into the Palestinian workforce, which could immensely benefit its international competitiveness. Examples of cooperation continue to the present day, with Forbes magazine releasing a feature-length story about such cooperation as recently as 2013 (Behar 2013). Furthermore, there are already several organizations that are aiming to accomplish similar goals.

For example, Wamda is an organization that is seeking to spread and develop entrepreneurial know-how to businessmen and women across MENA (About Wamda). The Palestinian Internship Program, which is primarily backed by USAID, provides Palestinians with the opportunity to work in 10-week long internships with Israeli tech firms (Palestinian Internship Program). Cooperation with such organizations or new programs based off of their structures

could provide fertile grounds to accomplish the goal of positively integrating Palestinians and Israelis in a working environment that could lead to greater respect and lessened hostility.

There are a great many more needed changes within Israel and Palestine if lasting peace is to be achieved. However, the point of this paper was not to solve what has for so long been an intractable issue, but rather to propose possible policies that could point both parties in the right direction. Entrepreneurship has been shown both to be a vital factor to a country's economic growth and future, and it has also been deemed a useful and promising vehicle for methods designed to improve conflict resolution between hostile parties. Although in the end it is the unique prerogative of Israel and Palestine to decide their national priorities, it would seem as though increased attention given to the field of entrepreneurship and its potential conflict diminishing aspects could offer new paths to promote peace in the region.

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APPENDIX

ABBREVIATIONS

STRUP	Start-up procedures to register a business (number)
TAXOFF	Number of visits or required meetings with tax officials
BIZSTRT	Time required to start a business (days)
INFPAY	Informal payments to public officials (% of firms)
VOXACC	Voice and Accountability
POLSTAT	Political Stability and Absence of Violence/Terrorism
GOVEFF	Government Effectiveness
REGQUA	Regulatory Quality
RULAW	Rule of Law
CORCON	Control of Corruption
REFPOP	Refugee population by country or territory of asylum
SECSCH	School enrollment, secondary (% net)
TERSCH	School enrollment, tertiary (% gross)
GDPPC	GDP per capita (current US\$)
GDP	GDP (current US\$)
CAPFOR	Gross capital formation (% of GDP)
FDI	Foreign direct investment, net inflows (BoP, current US\$)
YTHUN	Unemployment, youth total (% of total labor force ages 15-24) (modeled ILO estimate)
GDPPC%	GDP per capita growth (annual %)
GDP%	GDP growth (annual %)